

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF NICHOLAS COUNTY)	
WATER DISTRICT OF NICHOLAS COUNTY,)	
KENTUCKY, FOR A CERTIFICATE OF PUBLIC)	CASE NO.
CONVENIENCE AND NECESSITY TO)	2006-00432
CONSTRUCT, FINANCE, AND INCREASE)	
RATES PURSUANT TO KRS 278.023.)	

O R D E R

On September 29, 2006, Nicholas County Water District (“Nicholas District”) submitted an application for a Certificate of Public Convenience and Necessity to construct, finance, and increase rates for a \$660,000 waterworks improvement project. This project (Phase VIII) consists of the construction and installation of approximately 40,859 linear feet of 4-inch water line; 11,848 linear feet of 3-inch water line; and 11,417 linear feet of 2-inch water line and appurtenances. This project will provide new water service to approximately 60 additional customers.

Nicholas District proposes to finance the construction of the project through the issuance of \$203,000 of its Waterworks Revenue Bonds; a Rural Development (“RD”) grant in the amount of \$140,000; a Kentucky Tobacco Settlement Grant (“KTS”) in the amount of \$300,000; and an Applicant contribution in the amount of \$17,000. Nicholas District has an RD commitment to purchase bonds for \$203,000, maturing over a 40-year period with an interest rate not to exceed 4.125 percent per annum. Nicholas District’s application was made pursuant to KRS 278.023, which requires the Commission to accept agreements between water utilities and the U.S. Department of

Agriculture or the U.S. Department of Housing and Urban Development, and to issue the necessary orders to implement the terms of such agreements within 30 days of satisfactory completion of the minimum filing requirements. Given that minimum filing requirements were met in this case on October 6, 2006, KRS 278.023 does not grant the Commission any discretionary authority to modify or reject any portion of this agreement.

IT IS THEREFORE ORDERED that:

1. Nicholas District is granted a Certificate of Public Convenience and Necessity for the proposed construction project.
2. Nicholas District's proposed plan of financing with RD is accepted.
3. Nicholas District is authorized to borrow \$203,000 at an interest rate not exceeding 4.125 percent per annum for 40 years.
4. The proceeds from the bond issuance shall be used only for the purposes specified in Nicholas District's application.
5. Notwithstanding Ordering Paragraph 4, if surplus funds remain after the approved construction has been completed, Nicholas District may use such surplus to construct additional plant facility if RD approves of the use, and the additional construction will not result in a change in Nicholas District's rates for service. Nicholas District shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 3.
6. Nicholas District shall file a copy of the "as-built" drawings and a certified statement that the construction has been satisfactorily completed in accordance with the

contract plans and specifications within 60 days of the substantial completion of the construction certified herein.

7. Nicholas District shall monitor the adequacies of the expanded water distribution system after construction. If the level of service is inadequate or declining, or the pressure to any customer is outside the requirements of 807 KAR 5:066, Section 5(1), Nicholas District shall take immediate action to ensure that the level of service conforms to the regulations of the Commission.

8. Nicholas District shall notify the Commission one week prior to the actual start of construction and at the 50 percent completion point.

9. The rates set out in Appendix A, which is attached hereto and incorporated herein, are the rates approved for service rendered on and after the date of this Order.

10. Within 30 days of the date of this Order, Nicholas District shall file with the Commission its revised tariffs setting out the rates approved herein.

11. Three years from the effective date of this Order, Nicholas District shall file an income statement, along with any pro forma adjustments, in sufficient detail to demonstrate that the rates approved herein are sufficient to meet its operating expenses and annual debt service requirements.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein accepted.

Done at Frankfort, Kentucky, this 1st day of November, 2006.

By the Commission

ATTEST:

A handwritten signature in black ink, consisting of several overlapping loops and a horizontal line at the bottom, positioned above the text 'Executive Director'.

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2006-00432 DATED November 1, 2006

The following rates and charges are prescribed for the customers in the area served by Nicholas County Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

5/8" X 3/4" Meter Size:

First	1,000	\$13.13	Minimum Bill
Next	2,000	6.17	per 1,000 Gallons
Next	2,000	5.38	per 1,000 Gallons
Next	5,000	4.19	per 1,000 Gallons
Next	15,000	3.80	per 1,000 Gallons
Over	25,000	3.40	per 1,000 Gallons

1" Meter Size:

First	3,000	\$25.47	Minimum Bill
Next	2,000	5.38	per 1,000 Gallons
Next	5,000	4.19	per 1,000 Gallons
Next	15,000	3.80	per 1,000 Gallons
Over	25,000	3.40	per 1,000 Gallons

1 1/2" Meter Size:

First	8,400	\$48.80	Minimum Bill
Next	1,600	4.19	per 1,000 Gallons
Next	15,000	3.80	per 1,000 Gallons
Over	25,000	3.40	per 1,000 Gallons

2" Meter Size:

First	12,667	\$68.58	Minimum Bill
Next	12,333	3.80	per 1,000 Gallons
Over	25,000	3.40	per 1,000 Gallons

3" Meter Size:

First 41,125	\$165.18 Minimum Bill
Over 41,125	3.40 per 1,000 Gallons

4" Meter Size:

First 66,125	\$250.18 Minimum Bill
Over 66,125	3.40 per 1,000 Gallons

A \$5.00 per month surcharge will be assessed to all customers within the Phase V area and all new customers within the Phase VIII project area.